The CREDIT WORLD

Magazine of Retail Credit

SOFTENED by coddling, we cry out: "Everything is against us.". . . What a cry to come from sons and daughters of the soldiers of freezing Valley Forge!

—ALEXANDER JOHNSTON

TREAT YOUR CREDIT AS A SACRED TRUST

FEBRUARY, 1932 Vol. XX No. 6

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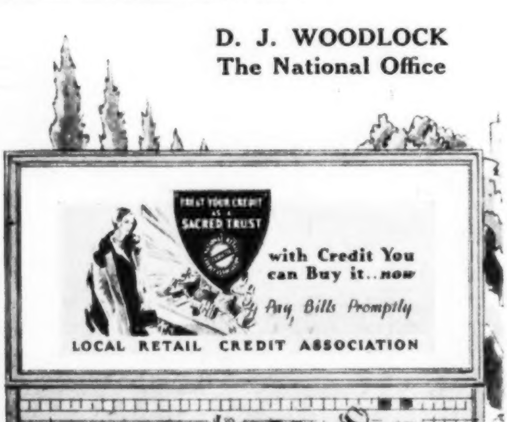

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The CREDIT WORLD

Official Magazine of the National Retail Credit Association

February, 1932 Vol. XX No. 6

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CONTENTS

TREAT YOUR CREDIT AS A SACRED TRUST

This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association; in all other respects the Association cannot be responsible for the contents thereof or for the opinions of writers.

CHANGE OF ADDRESS: A request for change of address must reach us at least one month before date of the issue with which it is to take effect. Duplicate copies cannot be sent without charge to replace those undelivered through failure to send this advance notice. With your new address it is absolutely essential that you also send us your old one. Entered as second-class matter at the post office at St. Louis, Mo., under the Act of March 3, 1879. Published monthly at 1218 Olive Street, St. Louis, Mo. Subscription, $2.00.

EDITORIAL OFFICE .... 1218 Olive Street, St. Louis, Mo.

EDITORIAL COMMENT

D. J. WOODLOCK

Washington—Character Exemplified

THIS month and this year the nation observes the Bicentennial Anniversary of the birth of its founder. Credit executives should be particularly interested in honoring the memory of George Washington, because he typifies in a superlative degree that fundamental of all credit—*Character*.

The name of Washington will be revered until time fades into eternity and although over a hundred years have elapsed since he passed to where silence reigns, his spoken and written words have found as an audience, the millions who have lived since his day and countless millions yet to come.

Why? Because he was a statesman, a worker, a leader of men, but most of all because of his rugged character which meant honesty, truth, sincerity.

We credit men recognize Character, Capital and Capacity as the basis of all credit—a trinity of requisites for the ideal credit risk—yet none appreciate more than the retailer the importance of Character.

During the present depression many of our customers found their Capital had taken wings overnight, their Capacity was curtailed because of unemployment, but the inherent Character of the average American citizen, which makes him regard his credit as a sacred trust, caused consumer credit to stand out as the most sound of all forms of credit.

While this gives us confidence in the future, it is well on this anniversary of the birth of the Father of our Country that we note a trend away from the high ideals and advice so prophetically set forth in his Farewell Address.

Hardly a day passes that we do not see some of the luminaries in our commercial or political life, men with unlimited Capital and enormous Capacity, come tumbling down because of a lack of Character!

Many of our financial and banking leaders have strayed far away from the teachings of Washington, have glorified Capital, abused Credit, overlooked Capacity and wholly forgot that Character is the yardstick of a stable citizenship and a contented people.

Every time they negotiate a questionable stock issue or a "sharp practice" bond sale, they are not alone selling their birthright for a personal profit but are breaking down the character of the American people, which reflects all down the line from "frenzied finance" to disrespect for law, and makes for discontent and unrest, which are the forerunners of anarchy and revolution.

It will be time well spent for each of us to read the full text of Washington's Farewell Address, given September 17, 1796. The words of far-seeing wisdom and prudence which he addressed to the American people over one hundred and thirty-five years ago apply in a remarkable way to the disturbed political conditions of today.

His counsel to build Character through the eternal principles of fairness and justice and honesty in all our dealings, as individuals and collectively, to safeguard our personal and national credit, are more timely today than when they were first uttered.

Let us get back to Character of the rugged and unflinching type as the most important qualification for credit. Measure the worthiness of your customers by the yardstick of Character as exemplified by the man we so reverently call, "The Father of our Country."

» » »

Charging Interest On Past Due Accounts Is Logical, But—?

WE HAVE read with more than ordinary interest, the article "Controllers Urge Interest On Slow Accounts" by H. I. Kleinhaus, General Manager, Controllers Congress of the N. R. D. G. A. appearing in the January 23 issue of *Retailing*.

Mr. Kleinhaus has brought out many fundamentals in support of the idea of charging interest on accounts running over the regular due date, probably the most important being that in this day of keen competition among retailers, the "mark up" is so small that when accounts are not paid in accordance with the usual thirty-day terms the profit begins to vanish and in sixty or ninety days the transaction becomes an actual loss.

It was a realization that the losses which placed the credit department in the nonprofitable class

were not due to unwise credit extension, but rather to the abuse of terms, which caused the National Retail Credit Association to organize twenty years ago, for the purpose of creating what we are pleased to call a "Community Credit Policy," meaning that our members would subscribe to certain standard practices regarding "terms" and religiously live up to them.

For the past twelve years we have discussed the question of an interest charge on past due accounts pro and con, and were almost unanimously agreed that the idea was not alone feasible but absolutely just and equitable but—and here is the "fly in the ointment"—we found the average retailer was competitive on credit terms, just as in merchandising.

There was no unity of thought as to the enforcing of thirty-day terms and few had the backbone to stand back of the printed lines on their statements "Bills Payable by Tenth of Month Following Purchase." Many thought it smart to be known as a "liberal" credit store and as a result, they broke down the community credit policy we were endeavoring to build.

The only objection of merit which can be brought against the policy of charging interest on past due accounts, is the thought that the debtor will cease to feel he is under obligation to pay the bill so long as he is paying interest and as a result will postpone payment far beyond the usual time, and should hundreds or thousands of debtors follow this practice they would practically force the retailer into the banking business.

This shows the vacillating and indefinite credit policy of the average retailer. Banks have no trouble in collecting loans when due, even though they carry interest, simply because they have a definite understanding with the customer when the loan is made and the same can be done by retailers, if they will cooperate on a community credit policy.

The basic soundness of an interest charge on past due accounts is so much in harmony with our ideas of a profitable, yet fair business that I doubt if any credit executive would find fault with the plan; *but* it is a Utopian dream unless some way can be found to synchronize the credit policies of retailers and prove to them that they are either swapping dollars or having an actual loss by using credit terms as a competitive sales feature in their business.

For one or two stores in any community to adopt the interest charge plan would invite criticism from the thoughtless public and give competing stores a new sales advantage.

Youngstown, Ohio, and Peoria, Illinois, appear to be the only cities where an organized effort is being made to carry out the idea, and their success is attributable entirely to the willingness of a majority of the merchants to subscribe to and cooperate with the policy.

Credit men have no fault to find with the plan, but believe it can only be effective where the merchants themselves will, without prejudice or selfishness, subscribe to it whole-heartedly and rigidly enforce it.

» » »

A Text From Abraham Lincoln

"I will study and prepare myself,
for some day my chance will come."

WHAT finer text could one wish for an editorial written in the birth-month of Abraham Lincoln—the railsplitter who became President?

For the life of Abraham Lincoln will be always an inspiration to those who believe that greater opportunities come to him who prepares for them —that you can't keep a good man down!

There's a message here that every one of us in the credit granting profession could take unto ourselves. Ample knowledge is a necessity in these days of intense competition in merchandising.

Men don't stand still in the maelstrom of modern business. Either they go ahead, applying the lessons learned in the struggle, or they go back, drifting with the current.

No one man can possibly know all there is to know about retailing, but there's no law against a man learning as much about it as he possibly can!

Look ahead! Study the relationship of the credit department to the rest of the business—study collections as they affect financing. Study business as a whole—prepare yourself that *you* may be ready when *your* chance comes.

While Lincoln's opportunities for self-education were few, yours are unlimited. Self-improvement has been made a comparatively easy matter since his day!

Specialized training in the credit field is now available, through the efforts of the Educational Department of this Association, to all who will take advantage of its courses.

For the beginner, there is offered a most comprehensive study course on retail credit, under the guidance of recognized leaders in the credit field.

And the new Advanced Course opens up, to those "higher up," a broader field for development than many of them have dreamed of! "Credit Department Salesmanship," a hitherto neglected field, as expounded in this course, offers unlimited possibilities for the development of the credit department as a vital factor in the modern scheme of retail merchandising.

THE PLACE OF THE INDIVIDUAL IN BUSINESS AND GOVERNMENT

By ALEXANDER JOHNSTON

President of the Okmulgee Chamber of Commerce and President of the Major Oil Company, Okmulgee, Okla.

An Address Before the Annual Meeting of the Muskogee Retail Merchants Association, December 3, 1931

ABOUT ten days ago some obscure individual, of the 122 odd million individuals populating our United States, began to hiccough.

I doubt if the man himself noticed the first hiccough, but undoubtedly the fourth or fifth began to annoy him and occupy his attention. Soon his hiccoughing attracted his wife's attention to him. She suggested that he drink nine swallows of water without breathing; which he did —with no relief. His next-door neighbor knew nothing of this at first. There is nothing unusual in a few hiccoughs. But when he kept right on hiccoughing for a week it became first-page news.

The Associated Press spread the story over the entire United States and all of the other 122 odd million individuals in the country became deeply interested in this one individual. Thousands, including our own sophisticated Will Rogers, followed the news of this man's case daily and wired and wrote his family and doctors all manner of sure cure remedies.

Those of us who didn't write a cure, knew one and were just on the verge of sending it in when the papers announced that the doctors had found the basic trouble that was causing the hiccoughs, and they had operated—removed the cause and so stopped the hiccoughs, which latter was only a symptom.

This unusual continued hiccoughing was merely a symptom—not a disease in itself. It was an effect—not a cause.

It is useless to treat or cure symptoms. We must deal with causes, not effects; with basic hidden causes, not the glaring symptoms. Usually symptoms and effects are so annoying and glaring that we do not see beyond them and begin to treat them to no purpose.

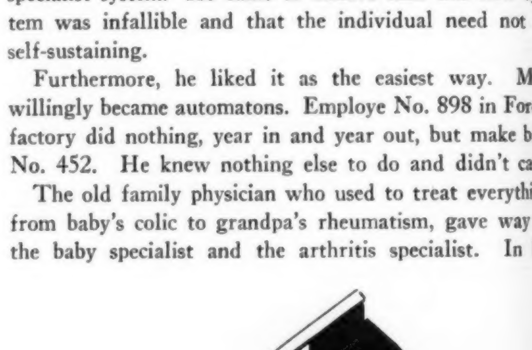
This item of daily news sticks in my mind because it seems to contain so many elements of our economic and governmental situation today. I do not intend to attempt to diagnose all of the causes of the present continued hiccoughing of business and government nor to prophesy exactly when it will end.

Nor shall I add to the thousands of prescriptions already offered for immediate relief. But as the entire nation's attention was turned to this obscure individual by his unusual distress, this distressing depression should turn our attention to *The Place of the Individual Today in Business and Government*. And by so doing I, at least, am convinced that we will be probing close to the primary cause of today's difficulties in government and business.

In this complex system that we built, during the past years, to serve the individual in business and government, we completely lost him in the maze and intricacy of the system. The system destroyed his power to sustain himself without it. The individual was encouraged to become absolutely dependent upon our machine age specialist system. He came to believe that this new system was infallible and that the individual need not be self-sustaining.

Furthermore, he liked it as the easiest way. Men willingly became automatons. Employe No. 898 in Ford's factory did nothing, year in and year out, but make bolt No. 452. He knew nothing else to do and didn't care.

The old family physician who used to treat everything from baby's colic to grandpa's rheumatism, gave way to the baby specialist and the arthritis specialist. In his place we now have the skin specialist, the nose specialist, the kidney, heart and eye specialist. In fact we have a specialist for every different organ of the body.



"Finally . . . along came Chic Sale"

Specialists became so prevalent that finally—to cap the climax with the ridiculous—along came Chic Sale. Mind, I am not complaining of the presence of this multitude of specialists. I am simply pointing out the trend of our development during the past twenty years. A trend that tended to make specialists and dependents of all of us

When I was a boy I half-soled my own shoes sometimes with my grandfather's cobbling outfit, and he was no cobbler. But today I have forgotten what he taught me—no further need for that, we thought, under the new system.

My grandfather could shoe a horse or thread a needle, kill a cow or repair the finest workings of a watch. He could build a house from its foundation to completion. He could lance a boil, sew up a wound, pull a tooth and drop a flaxseed in an eye with the steady hand of a surgeon. I do not believe he would have hesitated to amputate a leg if such an emergency had ever arisen.

I can do none of those things today. Some of your fathers grew, on their mortgage-free farms, the feed to sustain their sheep that produced the wool from which your mothers made the family clothes. Others grew and utilized cotton the same way.

They all either ground their own wheat or corn in their own mill to make their flour and meal or there was a mill closer than Minneapolis, Minn. They raised and butchered their own cattle and hogs and did their own curing. Ma did the canning and baking. Money was not as essential to them as it is to us.

In short, *they were not dependent on others or on a high-powered system.* They were self-sustaining. A depression to them was just a low place between two hills.

Please bear in mind I am not one of those who long for the "good old days." I am merely recalling a trend that undoubtedly softened us and tended to break down that great American heritage—individual self-reliance and independence.

We all liked this system, too. Liked it so well that now that we have been jolted out of the easy times and are wandering in the wilderness we long for the flesh pots of Egypt and our former bondage.

We liked it so well we are still—after two years—looking for someone to lean on or a Moses to lead us back, rather than out.

We hope for some mysterious return of good times outside our own efforts. We are today wishing we had a lot of cash or any cash to buy some U. S. Steel common at 41 and let an unknown mysterious "they" run her up to 141.

The machine age, the specialist idea, quantity production, our military training in the World War, speculation, installment buying and the whole trend of the past years has tended to destroy the independence and self-sufficiency of the individual as a separate unit. The individual today finds himself in the position of the negro allottee who soon after statehood lost his allotment.

A white friend asked him if he still lived on his land:

"No, sah," said Jasper, "I done lost dat land."
"What do you mean you lost it?"
"Hit's jest gone, dat's all."
"Did you sell it?"
"No, sah, I neva signed no deed."
"Did you lose it on a mortgage foreclosure?"
"No, sah, I neva signed no mortgage either."
"Well, did you give it away or lose it in a lawsuit?"
"No, sah, I haint neva done no lawin' ova dat land."
"You must still have it then or how did you lose it?"
"Well, suh, boss, I'll tell ya. Some white folks got a whole bunch of us niggas out our way and talked us into puttin' all our land into a big company whar none of us would have to work any more.

"Dey called it de New Consolorated Farm Land System. Sounded like a wonderful system, too, to hear dem tell it. Dey had a powerful legal document for all dem niggas to sign. Lots of therefo's and wharfo's and big talk in dat paper I signed. Well, to tell de truf, boss, dem white folks just naturally 'therefo'd, wherefo'd and whereas'd' me right out o' my land."

And so the intricate system of today has therefore'd, wherefore'd and whereas'd the individual right out of the picture as a unit sufficient unto himself. One thing we all agree on is that this depression started with a breakdown of the system. The prolonged continuance of the hiccoughing lies in the individual's reluctance to regain his necessary prominent place in the picture, and take a hand as a separate unit to solve his own problems.

It is age-old human nature for each of us to look for someone else to blame for our troubles. Hence we witness the state-wide, nation-wide and world-wide game, going on everywhere now, of passing the buck.

Because we have lost our individual independence, self-confidence, responsibility and initiative in business and government we are quick to blame the other fellow. Humans don't like to examine themselves too closely or too often.

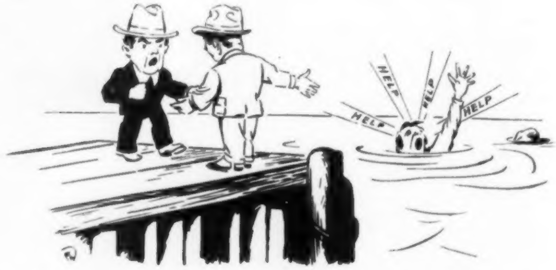
We are all saying: "They brought on hard times." "When are they going to end this depression?" "They don't seem to be able to save the country." But who do we mean by this mysterious "they"? Nobody seems to know.

We Democrats say it's the Republicans, and the Republicans say it's Big Business. Far be it from me—a lifelong Democrat—to overlook the political advantage of hanging full responsibility on this Republican administration. But just now we are not politicians.

We are trying to find a lost asset called individual independence and initiative. We seem to feel that if we can attach the blame for our present situation on some one other than ourselves it will be just as if it never happened and we give no consideration to pulling ourselves out.

We resemble men standing on the bank of a river permitting a sinking man to drown while we argue about who pushed him in. When we point the accusing finger at President Hoover he points to the nations of Europe and says, "World conditions; they are not buying our exports." And that in the face of the fact that our total exports never were over 10 per cent of our total trade. But Europe points back to America and says we are to blame because we are insisting on payment of war debts which they cannot pay.

While it is being said in America that our tariffs caused our internal troubles it is being said—at the same moment—in England that their lack of tariffs caused their internal collapse. Johnny Raskob says that the mysterious "they" is Andy Mellon and his crowd. And Andy says it's Johnny Raskob and his crowd. The railroads say it's high labor and low shipping rates. And labor and shippers say it's poor railroad management.



"We resemble men . . . permitting a sinking man to drown while we argue about who pushed him in"

Germany blames it on France for insisting on indemnity payments, and France passes the buck on to the American and international bankers. And they in turn blame it on the politicians who pass the buck back to German statesmanship.

And so the endless circle of accusations for responsibility goes on. It is all so futile. We should know that everyone is dodging the blame so that there will be no obligation on him to end the hiccoughing.

Hence we individuals of Muskogee and Okmulgee need look for no help from the mountains. We might as well make up our minds that we must pull OURSELVES out of our present situation. No fairy's wand will be waved over the land to restore soft times and easy pickings, by either a "great" engineer or a "poor people's champion."

Neither do we need to hope for help from the former so-called captains of industry. They are all privates now. We surely have learned the folly of dependence on sure-fire systems. We know now that any system of business or government is no stronger than the self-sufficiency and independence of the individuals composing it.

But some of us—softened by coddling—cry out: "Everything is against us." "We are oppressed." "THEY don't let us beat back." What a wail to come from descendants of the rugged, fighting, sturdy pioneers who braved the hardships and perils of a new world to settle America and preserve their independence and individuality. What a cry to come from sons and daughters of the soldiers of freezing Valley Forge—from heirs of George Washington, Patrick Henry, Ethan Allen, Benjamin Franklin, Thomas Jefferson, Alexander Hamilton, Abraham Lincoln, and Robert E. Lee!

If the individual is sick of the present order of things he alone can change them. In government, with ballots, not bullets. In business, by having courage and confidence in himself and his business. By increasing his efforts. Go out and get the business now. We are not trying. The past years have slapped to sleep that "go out and fight for business" spirit that we once had.

The individual is responsible for permitting himself to be pushed out of the picture. We have permitted our government to become further and further removed from the individual.

We have permitted the federal government at Washington to usurp more and more of the state rights. We have permitted the state to usurp more and more of the rights of counties and cities. We have become like government wards and minors—incompetent to contract without the supervision of our guardian.

The thought I would like to leave with you is that the tendency of the era just passed was to push the individual out of business and government as a separate fighting self-sufficient unit and that we permitted that era to soften us. That whether you remain out of the picture as an individual in business and government is strictly up to you and no one else.

Will you fight to regain your place in the picture of business and government? After all you—the individual—are the cause of the present prolonged hiccoughing of business and government. Within you lies the cure. While the day of miracles may be over, still the power remains in you, if you have the courage, to "pick up your bed and walk."

» » »

Why Are Seamen Immune From Garnishee?

By Walter B. Brinkman, Credit Manager George A. Gray Co., Duluth, Minn.

Credit granters in the inland towns and cities should also be interested in repealing the "favored class" rule.

One hundred years ago, when seamen went on cruises of one year or longer, there might have been some excuse for the law.

But nowadays, when the seamen are rarely out over three months on an "around-the-world cruise"—and most cruises are much shorter—there should be no garnishee immunity for the seamen.

If the cities on the Atlantic and Pacific coasts and Gulf of Mexico, and the Lake Cities will get together, we may have the act repealed.

You, in the interior, do not know when your turn will come!

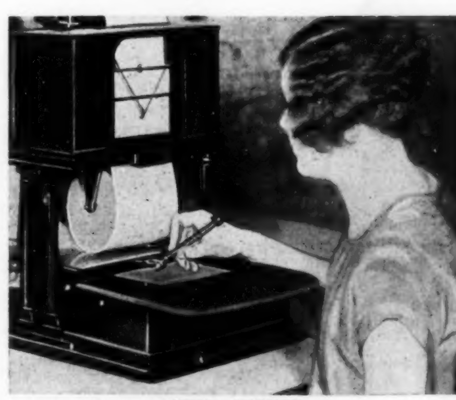
Maybe someone who owes you money may attempt to be a seaman or an officer on a ship. And where would you be then?

There would be comparatively little effort against the repeal on behalf of the labor unions, as most men do not "belong."

The laws relating to "Federal" and "Seamen's" immunity from garnishee should be repealed.

Will you work for it?

(THE BUREAU)



(THE STORE)

The Ten-Day Cash Discount In the Coal Business

Its Effect On Collection Percentages

By W. G. CASSMEYER
Credit Manager, Merchants Ice & Fuel Company, St. Louis, Mo.

THE general use of the cash discount in the retail coal business in St. Louis is of recent introduction. The system of the cash discount became effective in our company in May 1931. Before adopting it, we investigated and received facts and opinions on the subject from different companies in other cities, who had experience with it or with a similar system.

The matter of allowing a discount for prompt payment has been in use for years in other lines of business and it was brought out at the Group Meeting held during our last Convention that its use had become rather general in the coal business in many parts of the country. At that time no experiences could be related by the local members in attendance because it was new and untried by them.

The general policy now in effect in St. Louis is that a 50c per ton cash discount is allowed on all grades of fuel sold to the domestic trade if payment is made on delivery, or within ten days after delivery. The ten-day credit extension is a courtesy to those customers who are accustomed to buying their needs on a credit basis.

The same precaution must be taken when opening an account as previously, for the reason that, even though the customer may state his intentions of paying within ten days, we are taking the same chance which we would on any open account.

In fact, we have many customers who do not take advantage of this saving. Some change their minds or through misfortune are unable to pay as they had planned, and therefore all accounts are opened in the regular way. Every application for credit is cleared through the Credit Association files.

The cash discount applies only to domestic accounts. It is not applied on charges made to large users, such as apartment house owners, real estate companies, or industries using a large volume of fuel. The price to these customers is a net price, for which a contract or an agreement is drawn up for the season's supply.

Our average monthly collection percentage for the year 1931 is 55.95 per cent, figuring it on the basis of the collection of a month divided by the accounts receivable at end of the previous month. C. O. D. sales and receipts are not included in computing our collection percentages.

Comparing the 1931 percentage with our 1930 average of 47.9 per cent (at which time all charges were made net on a thirty-day basis), the effect of the discount for prompt payment is shown in the following monthly percentage figures:

1931

Jan.	42.8%	Apr.	42.5%	July	70.3%	Oct.	66.0%
Feb.	44.7%	May	43.5%	Aug.	72.0%	Nov.	57.0%
Mar.	43.1%	June	60.0%	Sept.	69.0%	Dec.	59.5%

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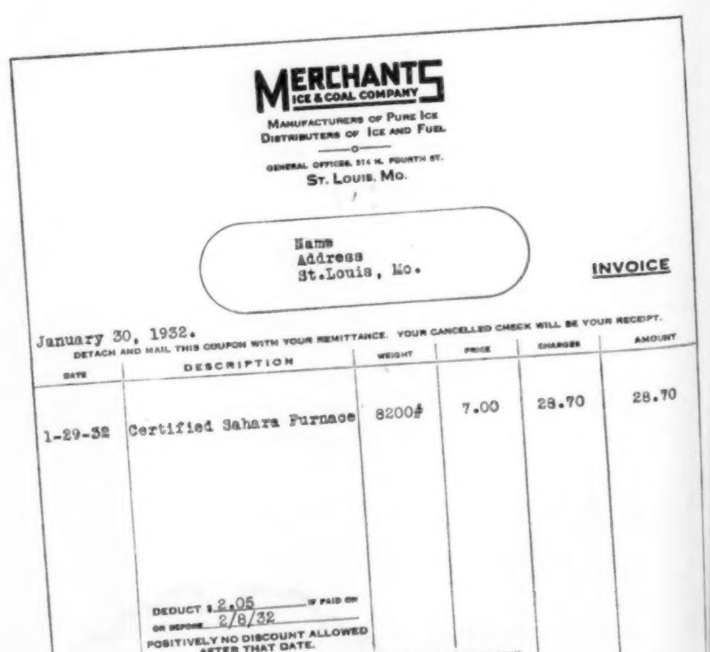


MERCHANTS ICE & COAL COMPANY
MANUFACTURERS OF PURE ICE
DISTRIBUTERS OF ICE AND FUEL
GENERAL OFFICES, 314 N. FOURTH ST.
ST. LOUIS, MO.

Name
Address
St.Louis, Mo.

INVOICE

January 30, 1932.
DETACH AND MAIL THIS COUPON WITH YOUR REMITTANCE. YOUR CANCELLED CHECK WILL BE YOUR RECEIPT.

DATE	DESCRIPTION	WEIGHT	PRICE	CHARGES	AMOUNT
1-29-32	Certified Sahara Furnace	8200#	7.00	28.70	28.70

DEDUCT $ 2.05 IF PAID ON OR BEFORE 2/8/32
POSITIVELY NO DISCOUNT ALLOWED AFTER THAT DATE.

MERCHANTS ICE AND COAL COMPANY
GENERAL OFFICES, 314 N. 4TH STREET, ST. LOUIS
PHONE ALL DEPARTMENTS - - CHESTNUT 8880

Bear in mind that the discount became effective May 6, 1931, and therefore the first four months' collections did not receive the advantage of the discount, which accounts for the lower percentages for those months.

All retail sales items are invoiced directly from the Fuel Sales Sheets as they come in from our branch offices, immediately after being checked and priced. A copy of the invoice used is shown on opposite page.

The date appearing on the upper portion is the date the invoice is prepared or mailed, while the date in the body of it is the actual delivery date. On the lower left portion of the invoice, you will note, we show the exact amount of the discount instead of merely stating that 50c per ton may be deducted. This avoids the possibility of the customer deducting an incorrect amount.

This arrangement of allowing a discount naturally costs us money, but it also has its advantages, and in many instances it means a real saving. Frequently, the coal is paid for on delivery by former credit account customers, which eliminates the bookkeeping, follow-up work, etc.

In other cases, we believe, if the coal had not been paid for within ten days, we would have been forced to charge some of these amounts off to profit and loss for the reason that later on the people to whom we sold it became unemployed, or for some other reason they would have never paid the account, or would have been so slow about it that we would have automatically charged it off.

Another advantage is that it reduces the capital invested in accounts, saving both interest and the necessity of a greater investment. It also reduces accounting costs, credit investigation costs, collection expenses and gives us a quick turnover of accounts receivable.

The cost, or disadvantage, of the discount plan, is, of course, first and most important, the amount of discounts allowed. As a definite amount per ton is allowed, the percentage increases and decreases according to the price of the fuel purchased. At the present St. Louis prices, on fuels ranging from $16.75, down to $4.50 per ton, the flat 50c per ton discount allowed ranges approximately from 3 per cent to 10 per cent.

Another disadvantage is the extra billing or invoicing immediately after delivery, because it must be done within a period of a very few days so that the customer may have a reasonable length of time to get his remittance back to us.

In view of the fact that the fuel dealer is usually much abused by long term credits, often without protest by him, and has thus become the easy mark of many fuel buyers, this discount system is somewhat of a salvation. The amount allowed may be criticized as too high, especially on the low priced fuels, it being 36 per cent to 120 per cent per year interest to the buyer for the use of his money, assuming that the account would be paid about thirty days later if sold without the discount feature.

The large coal dealer has always experienced considerable "credit competition" through the small dealer who has no credit department or credit association affiliations. Rather than lose a sale the small dealer sells on credit without making an investigation and naturally enough has a terrific loss on credit sales. To induce the buyer to pay cash and avoid the loss on his credit accounts, a large discount is offered by the small dealer. This means he is selling terms instead of service and fuel.

» » »

Shreveport Credit Granters Organize

On January 19, a meeting of all retail interests in Shreveport was held and *The Associated Retail Credit Granters of Shreveport* organized for the purpose of developing a community credit policy and operating in closest harmony with the local credit bureau.

The following officers were elected:

President, W. G. Finnan, Credit Manager Feibelman's, Inc., (Affiliated with Sears, Roebuck & Co.)

Vice-President, C. T. Glass, Credit Manager Chain Battery & Automotive Supply Co., Inc.

Secretary & Treasurer, Miss Johnnie Hudson, Credit Manager Phelps Shoe Store.

One of the first features of the new Association will be the enrollment of classes in the National Retail Credit Association Credit Study Courses.

Some Causes of Retailer Bankruptcies

By Dr. JULIUS KLEIN

Assistant Secretary, United States Department of Commerce

A radio talk delivered over the coast-to-coast network of the Columbia Broadcasting System, from Washington, D. C., January 17, 1932

THERE are few more poignant tragedies in the whole of the dark records of these trying times than those among the small retailers. But let us, if we can, follow the sensible example of the medical profession in curbing emotional impulses and, though fully and genuinely sympathetic, be guided by the actual facts of the case.

Let us see if we cannot get at a few basic truths as to one or two of the major maladies which cause the casualties in the vast ranks of our smaller shopkeepers. Of course our sole purpose in digging up rather intimate facts of the type which follow is to employ the great facilities of the Government in behalf of trade. In this class of work we have the whole-hearted assistance of the National Retail Credit Association and similar groups.

To get the facts as to these retail ailments, we must turn to that clinic of sick business, the bankruptcy court. I have on previous occasions discussed the causes of retail failure, but, like our friends in the medical world, we in the Commerce Department must consistently and tirelessly keep on attempting to isolate (as the medical scientists express it) any hitherto inadequately identified "germs" which cause commercial illness and contagion.

In that connection one of the first things we discover as we analyze these bankruptcy clinic records is that the "patients" are usually as totally at a loss to explain the basic causes of their own business troubles as most of us are in analyzing our physical ills.

Far too many of the casualties in the business world, when called upon to explain their maladies, mention unseasonable weather or chain-store competition, doorbell-ringing peddlers or meddlesome bureaucrats, politicians or plagues of grasshoppers in the corn belt.

Now mind you, I am not saying that these are all ruled out as causes of retailers' grief. On the contrary, I have seen cases where every single one of these influences has unquestionably retarded the prospects of the storekeepers in some community or another.

But the thing I am getting at is that we must be professionally skeptical (rationally so, of course) in this matter, just exactly as a good physician is, who takes nothing for granted and promptly develops (as some of you, I am sure, have found out) the most uncanny and disquieting curiosity about our entirely unsuspected "innermost innards," perhaps even proposing to snatch out sundry indispensable teeth or tonsils of whose mere existence you had been blissfully unconscious.

And so, as we view this grave and, to my mind, primary problem of our whole business world, namely the question of helpful, cooperative assistance to those retailers who need it, let us be guided by definitely established facts as revealed in clinical analyses, and not by vague surmises or casual assumptions, much less by emotional demonstrations. We have had entirely too much of those in our so-called business thinking these days.

I am sure it will surprise you, as it did me, to learn that the depression has not materially increased the number of firms and individuals who failed in business. That number has been growing more or less steadily during good periods as well as bad ones.

In fact, there were actually fewer failures in the fiscal year 1930-31 than there were in the much better period 1929-30. The increase in the number of bankruptcies during 1927-28 was 11 per cent, as compared with but a little over 6 per cent in 1930 over 1929.

Mind you, those figures have to do with the number of failures. When it comes to the losses of creditors through such failures, we find that during the depression they have been increasing considerably.

But, getting back to the causes of failure as revealed in the analysis of these bankruptcy court clinics, which have been conducted in three or four east-coast cities and in Chicago.

The first and one of the most successful was that carried on through the courtesy and with the active help of Judge William Clark of the United States District Court of New Jersey, in which the Department collaborated with Yale University in analyzing the actual causes of more than 600 bankruptcies, and here are the outstanding results. Although many of the unhappy victims blame the business depression for their troubles (and naturally so), in most cases (not all) the real cause of their inability to weather the storm was, according to this study, one or more serious shortcomings on the part of the victims themselves.

The report states that many of them showed regrettable

inclinations toward extravagance through excessive store rentals, overelaborate fixtures, etc. Others indulged unduly in speculation—not simply in the stock market, but in real estate—taking "long chances" on ventures which had very little resemblance to sound business undertakings.

But in particular do the bankruptcy records show these four quite preventable difficulties:

1. Keeping no accounts or very poor ones. Fifty-three per cent of the casualties analyzed were defective on this score of inadequate records. In fact, according to Professor Douglas, of Yale, with whom the Department of Commerce has been working on this problem, only one out of four bankrupts keep really adequate sets of books.

2. Taking no inventories, thus being ignorant both of the dangerous accumulation of unsalable items and of the rich possibilities of salable ones.

3. Careless operation of their credit policies. In one case after another the victims had been suffering losses on their credit accounts running up to 5 per cent of their total credit business at a time when the average loss, according to our figures of successful retailers, should have been much less than 1 per cent.

4. Total lack of previous experience with the intricate technicalities of successful storekeeping.

On that last point, unfortunately, the responsibility (the study reveals) rests to some extent at least upon the overeagerness of wholesalers and manufacturers who set the would-be retailer up in business.

Naturally the rigors of competition have in recent years compelled those larger elements in business to put on more pressure in developing new outlets, but the dismal records of retail bankruptcies show unhappily the unwarranted, excessive hazards involved in this practice. The responsibility for the betterment of retailing certainly rests, so far as this one point is concerned, upon others besides the unfortunate victims in the retailing field itself.

I am stressing these points regarding the need for closer watchfulness on the part of retailers as to accounting methods, credit control and inventories, particularly because the margin of profit, as every small retailer (and many a one who is not so small) knows only too well, is almost pitifully narrow.

Take the grocery trade, for example. The average net profit of the American retail grocer is only about 2 per cent. The total business done by the average individual grocer is amazingly small. In fact, according to our Department of Commerce figures, 27 per cent of the independent grocers in the country have total daily sales of only about ten dollars.

All of this means that if these storekeepers are to survive at all they must be unusually vigilant as to every small item of cost. They must bear in mind the fact that, whereas it may be easy for them to watch such obvious items as rent, light, telephone service, and the cost of their wares, it is doubly important to watch the more elusive items such as how much it costs them to maintain a credit system or to carry considerable quantities of slow-moving goods.

When, as these post-mortem examinations in the bankrupt courts show, the bad debts of small grocers amounted to nearly 2 per cent of their total sales, it is evident that the utmost vigilance must be observed on their part to keep that percentage down.

And the only way they can accomplish this is by rigorously careful periodic check-ups on that percentage of loss through delinquent credit accounts. They must learn that they cannot accomplish this by keeping the figures of their little businesses on the backs of old envelopes or, worse still, in their heads.

Of course, I am assuming that the distressed merchants whose affairs we analyzed were conscientious business men, honestly trying as best they could to keep their heads above water. I am sure none of us here is interested in the inevitable cases of suspicious bankruptcies due to conditions other than *bona fide* distress. Those cases will probably be taken care of in better shape under the revised bankruptcy laws.

I mentioned carelessness in the administration of their charge accounts by these bankrupt retailers as one cause of their troubles. In fact, that was strikingly revealed in the analysis of these more than 600 cases of failure in New Jersey.

But here is an angle of the distress of the retailer which should be especially significant. The shortcomings of his credit system, though perhaps due at times to his failure to watch the trend of his charge accounts, might also be due to abuses of the charging privilege by his customers.

While our Department's National Retail Credit Survey showed that retailers in general were making 56.6 per cent of their total sales on open credits and installments, those whose failures we have studied were generously extending such credit for no less than 79.2 per cent of their sales.

We could find no fault with this if the customers to whom they had given such accommodations had been scrupulous in meeting their obligations. But these stores suffered bad-debt losses on their charge accounts eight times as great as the average for going concerns.

In 1929 no less than 25 billion dollars of retail sales were made on charge accounts. But the bad-debt losses on that sum, according to officers of the National Retail Credit Association, may have run as high as one billion dollars. And a considerable portion of these losses, in the opinion of the experts of that Association, are distinctly preventable because they are due in many cases to the failure on the part of the retailer to take all possible precautions.

For instance, many of them fail to check up on the status of charge-account customers with other local merchants—an arrangement which is available through various local organizations in most cities and towns of any size throughout the country. This may involve some cost at times, but in these days, with sudden shifts in the status of individual consumers, precautions of that type are certainly the better part of wisdom, and vigilance seems to me to be particularly necessary when conditions are so uncertain.

Washington—City of Magnificent Expanses

An Introduction to Your Convention City

THE National Capital, world famed as the city of magnificent distances is also a city of magnificent expanses. These broad areas including The Mall, or central garden designed by General Washington and Major L'Enfant, approximately three miles in length, and others scattered in all sections, far beyond the original ten miles square, provide, as in no other great city in all the world, breathing spaces and recreational centers for the people.

Adorned by the best skill of landscape architects from all parts of the United States, naturally beautiful hills and valleys have been preserved for future generations, including such outstanding features as the Great Falls and Gorge of the Potomac, and the wooded beauty of Rock Creek and its tributaries.

Among these broad expanses which visitors generally see individually, little realizing the magnitude of acreage thus reserved, are 666 park reservations with a total area of 4,880 acres.

The largest of these is Rock Creek Park including Piney branch, with an acreage of 1,737; the National

The Washington Monument

Zoological Park, East Potomac Park with 327 acres, West Potomac Park with 394 acres, along which is the famous Riverside Drive; the White House grounds with 18 acres inside the fence, and a total of 52 acres including The Ellipse between the White House grounds and the Washington Monument; the Washington Monument grounds with 106 acres, including the famous Sylvan Theater; the Smithsonian grounds of 59 acres, 60 acres in The Capitol grounds, 35 acres in Department of Agriculture grounds and 37 acres in other small reservations linked in with The Mall development.

Arlington National Cemetery, and the Fort Myer cavalry post reservation across the Potomac River in Virginia; the Washington Aqueduct Property; The Soldiers' Home reservation and the 100-acre Walter Reed military hospital reservation in the northern stretches of the city; the great new development of Anacostia Park as one of the finest waterside playgrounds in the country; the new Arboretum development at the east entrance to the Capital City—all are far flung about the great central area now being enlarged with a new Botanic Garden, and a five-million-dollar parkway approach from Union Station.

Washington has been aptly called a "Paradise of Parks." Its park system in which Congress has shown a special interest with city planners and the greatest landscape architects of the country cooperating is now being developed as the National Playground to which the people from all over the country are invited to enjoy the glorious touches of nature.

History and nature are bound up closely in these lands. From far Eastern Japan we have the 3,000 famous cherry trees that attract hundreds of thousands annually to the Potomac Riverside; from California have come specimens of the giant Sequoia tree; in the Capitol area are trees and shrubs from many lands and in the Zoological Park are found animals from the world at large.

The parks themselves provide a series of systematic contrasts. In the west end is the rugged Rock Creek, with its stream rushing madly over a bed of rocks, rounded and cut and torn by the wearing of ages, while in the east end is the Anacostia Park, a lowland cut by the placid waters of the eastern branch of the Potomac, and reclaimed by the dredging of the river.

Along both banks of the Potomac River from Mount Vernon and historic old forts will be palisade drives bordered by parkways to the Great Falls of the Potomac, a stretch of about twenty-five miles.

As far as possible these lands acquired for this George Washington Memorial Parkway will be preserved in their wild original state. Wild flowers and flower-producing trees are being segregated in groups so that each in season will hold a special attraction. Comparable

with the Japanese cherry blossoms in Potomac Park in the early spring are the dogwood display in Rock Creek Park, the holly display in Fort Dupont, and the display of hardy evergreens in Rock Creek and Potomac Parkway.

Arlington Memorial Bridge—Another Memorial to "The Father of His Country"

The Mall is one of the main arteries of the city park system. It is that great area reaching from the Capitol building westward past the Washington Monument to the Lincoln Memorial on the banks of the Potomac River. This main axis links together the great memorials to Washington, Lincoln and Grant.

Two landmarks are conspicuous upon the hills which encircle Washington—the colonnade portico of Arlington House on the Heights of Virginia from the west, and the white Norman tower of the United States Soldiers' Home three miles north of the Capitol on the rim of the hill on the north. They not only mark in the west and in the north geographical range of interest for the visitor in the federal city, but they are conspicuous features of two of the great large open spaces.

The restored Arlington mansion stands on the brow of the hill whose slope stretches a mile away to the Potomac 200 feet below, with a view that has been famed for more than a century. Lafayette, when a guest at this mansion pronounced the prospect from its porch, as one of the most beautiful he had ever looked upon, and recent monumental improvements, notably the new Arlington Memorial Bridge across the Potomac River to the Lincoln Memorial have greatly enhanced this view.

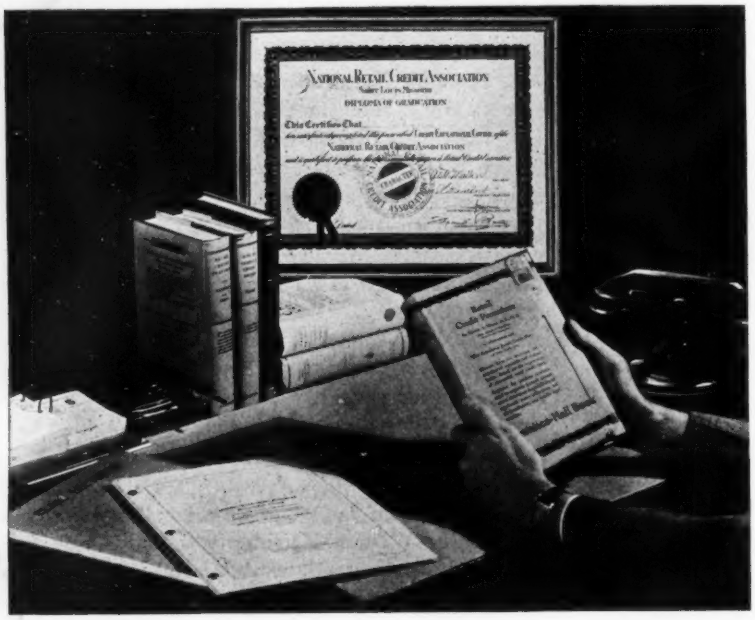
The grounds of Arlington are noble in contour and adornment. The art of the landscape gardener has beautified the surroundings with flower beds and lawn and a profusion of ornamental trees and shrubs. But above all that the skill of man has done, one recognizes the majestic beauty of the site itself, with its slopes and ravines and hillsides crowned with oaks, showing that through long centuries Nature herself had lovingly molded the spot making it ready for its final great purpose the resting place of the nation's heroic dead.

The Soldiers' Home occupies one of the loveliest sights to be found in the entire United States on one of the highest elevations north of the Capitol City. The grounds comprise 512 acres of diversified lawn, slope and ravine, with much of its natural beauty preserved, and enhanced by the skill of landscape and building architecture. One view which is much admired is that from the knoll on which stands Launt Thompson's bronze statue of General Scott. Another interesting view is of the Capitol dome vignetted through an opening among the trees from the far north boundary of the Soldiers' Home grounds.

But by far the largest, most enjoyed, and matchless park on the Western Hemisphere is Rock Creek Park, which is being constantly extended and improved, as an ideal recreation center.

"To Rock Creek Park there is nothing comparable in any capital city of Europe," said Viscount James Bryce, long British ambassador to the United States. "What city in the world is there where a man can—within a quarter of an hour on his own feet go into a beautiful rocky glen, such as you would find in the woods of Maine or Scotland—a winding rocky glen, with a broad stream foaming over its stony bed, and wild leafy woods, looking down on each side, where you not only have a carriage road at the bottom but an inexhaustible variety of footpaths, where you can force your way through thickets, and test your physical ability in scaling the faces of bold cliffs?"

One of the interesting features of Rock Creek Park is the old log cabin for many years occupied by Joaquin Miller, "Poet of the Sierras," which was some years ago removed from Meridian Hill near Sixteenth Street to Rock Creek Park and now stands near the line of the Military Road.



"I Will Study and Prepare Myself ... for Some Day My Chance Will Come"

The credit men of tomorrow are on their way up today—routine men in credit departments and bookkeeping departments in the large stores, retail clerks in small stores, and too few of them are making proper preparation for tomorrow's opportunity.

What better recommendation to these than to follow Lincoln's example:

"I will study and prepare myself, for some day my chance will come."

Recognizing the need for specialized credit training, the Educational Department of the National Retail Credit Association furnishes the most comprehensive study course in Retail Credit—for individuals or organized classes.

Winter classes are now in progress in many cities as shown by the following list of enrollments:

Detroit, Mich.	350	Gainesville, Ga.	20
Memphis, Tenn.	90	New Haven, Conn.	17
Charleston, W. Va.	60	Fort Smith, Ark.	16
Seattle, Wash.	50	South Bend, Ind.	16
Hartford, Conn.	45	North Platte, Neb.	15
Lincoln, Neb.	31	Bay City, Mich.	12
Marion, Ohio	31	Madison, Wis.	12
Colorado Springs, Colo.	29	Great Falls, Mont.	10
Steubenville, Ohio	27	Pueblo, Colo.	10
Omaha, Neb.	25	New Albany, Ind.	10
Wichita, Kan.	22	Gary, Ind.	5
Morristown, N. J.	22	Grand Island, Neb.	5

Many other cities are in process of forming classes. Their enrollments have not been sent in to this office yet.

Write today for detailed information on courses for class or individual study.

GUY H. HULSE
Secretary and Educational Director

National Retail Credit Association

1218 Olive Street -o- **Saint Louis, Missouri**

WORTH NOTING « «

A Digest of Credit News For Quick Reading

The increase in reporting service of the credit bureaus of the National Retail Credit Association indicates retailers are not taking chances. They want their credit information up to date!

» » »

Sixty-five inquiries were received by the National Retail Credit Association during January, requesting copy for "Pay Promptly" advertising. Merchants evidently realize that educational publicity will help to keep up collection percentages.

» » »

A recent study of causes of business failures in New Jersey, made by the Department of Commerce in cooperation with the Law School of Yale University, brought out that out of 238 cases studied to determine the use of credit bureau service, only 32 or 13.4 per cent used the bureaus, while 206 or 86.6 per cent did not use bureaus to make credit investigations.

» » »

The radio stores studied averaged 93.8 per cent credit sales, with a bad debt loss of 16.6 per cent in open accounts and 3.6 per cent on installment sales.

» » »

Automobile dealers had an average of 84 per cent of credit sales and a bad debt loss of 11.7 per cent on open accounts and 9.5 per cent on installments. These figures are considerably higher than the average reported in the National Survey.

» » »

The New Jersey bankruptcy survey showed that 25.6 per cent of individual bankrupts resorted to bankruptcy to avoid payment of judgment and two-thirds of these were brought about by automobile accidents.

» » »

"Believe it or not." In examining the records of 408 bankruptcy cases of business enterprises, it was found that 96 or 23.5 per cent kept no books, 120 or 29.4 per cent kept inadequate books and only 192 or 47.1 per cent kept adequate bookkeeping records.

» » »

Press releases indicate Sears Roebuck & Company in their retail stores and factory divisions earned about $1,666,000 more in 1931 than in 1930. Their retail sales were about $5,000,000 more than in 1930 and for the first time were in excess of their mail order sales.

» » »

That the so-called "gentle" reminders are considered effective collection mediums is indicated by orders for over a quarter-million of the National Retail Credit Association's Collection Stickers and Inserts since January 1.

The Department of Commerce is cooperating with Mrs. John Sipple, President of the General Federation of Women's Clubs in conducting a series of discussions in retail distribution. Two of the most important features on which questionnaires have been prepared are Credit and the Return of Merchandise. Over two million members of women's clubs will have the good and bad points of both subjects brought home.

» » »

The new government finance measure will make available $2,000,000,000, of new purchasing power and should restore public confidence, which will mean a return to circulation of more than a billion dollars of hoarded money.

» » »

That conditions have not improved is indicated by reports of statistical experts, indicating business is 30 per cent below normal, while a year ago it was 22 per cent.

» » »

Mr. H. I. Kleinhaus, General Manager of the Controllers' Congress of the National Retail Dry Goods Association, in a trade journal article, has endorsed the plan of charging interest on past due accounts as a logical and absolutely fair procedure.

» » »

Spokane Association Elects

Following is a list of new officers of the Spokane Retail Credit Association who were elected at the Annual Banquet, January 21.

President, R. M. Henderson, Wallace Bros.; Past-President, E. K. Barnes, First National Trust & Savings Bank; Vice-President, J. F. Hunt, Spokane Title Co.

Treasurer, J. W. Moss, Washington Water Power Co.; Secretary, N. M. MacLeod, Spokane Credit Men's Retail Bureau.

Directors: Brian B. Kennedy, R. J. Martin & Co.; J. N. Doherty, Whitehouse Co.; V. R. Kinert, Home Lumber Co.; H. A. Garrett, Garrett-Stuart-Sommer.

Past-President Barnes is also a Director of the National Retail Credit Association.

Reprints of any article appearing in The CREDIT WORLD may be obtained at nominal charge, cost depending on quantity desired.

Your Association Enlists

DAVID J. WOODLOCK BACKS PRESIDENT'S DRIVE ON HOARDING

1,200 Credit Bureaus Throughout Nation to Aid in Campaign.

David J. Woodlock, executive manager and treasurer of the National Retail Credit Association, with headquarters in St. Louis, said upon his return here from Washington recently that the credit association will back to the utmost President Hoover's move to bring hoarded money into circulation.

Woodlock was invited by President Hoover to attend a meeting at the White House Saturday with fifty leaders of commercial, financial and fraternal organizations, in order to discuss ways and means of drawing hoarded money into circulation.

The credit association official told the meeting that he felt there was no great amount of hoarding in St. Louis, due to the confidence the people have in local banks. He said only two small banks had suspended and their closing could be attributed to causes other than the depression.

"I cannot blame people for protecting their life savings during a period of uncertainty," he said, "but they do themselves and other citizens a great wrong when they hoard currency or money. If they distrust the banks, they should buy United States government bonds, which are just as sound as money. The buying of these bonds releases to the government currency which can be put back into circulation.

"The National Retail Credit Association will back up the President with an intensive effort to promote prompt payment of charge accounts. Retail collections, which averaged 55 per cent a year ago, have fallen to a 43 per cent average, indicating millions of dollars are tied up and idle because of slow payments.

"We will work to bring out the hoarded money to liquidate these accounts and the 180,000 members of our 1,200 credit bureaus throughout the country will co-operate with the President and the new-organized committee."

At the Washington meeting, over which President Hoover presided for two hours, it was asserted that approximately $1,500,000,000 in currency had been withdrawn from the banks during the past year and hidden away.

—*Saint Louis Star, February,* 10, 1932.

Postal Telegraph

THE INTERNATIONAL SYSTEM

Commercial Cables · All America Cables · Mackay Radio

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D J WOODLOCK, MGR= PNR=

I WISH TO CALL YOUR ATTENTION TO THE STATEMENT WHICH I ISSUED YESTERDAY IN RESPECT TO HOARDING OF CURRENCY STOP I SHOULD BE GLAD IF YOU COULD BE PRESENT AT THE WHITE HOUSE NEXT SATURDAY FEBRUARY SIXTH AT TEN OCLOCK WITH VIEW TO MOBILIZATION OF NATIONAL ORGANIZATIONS FOR THE PURPOSES THERE SET FORTH=

HERBERT HOOVER. 1249P.

At 2:30 p.m., Thursday, February 4, D. J. Woodlock, Manager-Treasurer of the National Retail Credit Association was handed the telegram reproduced above. As Washington is a twenty-two hour ride from St. Louis, prompt action was necessary.

He arrived in the Capital at 7:45 a.m. Saturday and by previous appointment met Mr. J. R. Hewitt of Baltimore, Chairman of the N. R. C. A. Legislative Committee, at the White House door at 9:30 a.m.

About fifty representatives of national organizations assembled in the Cabinet Room at 10:00 a.m. President Hoover called the meeting to order and after stating its purpose, personally presided for over an hour, calling upon Secretary of the Treasury Ogden L. Mills, General Charles G. Dawes and many organization representatives.

An organization was formed, with Col. Frank Knox of the Chicago *Daily News* as Chairman, and Mr. D. J. Woodlock was placed on the Advisory Committee, thus bringing the National Retail Credit Association into a very prominent part in carrying out President Hoover's ideas.

Mr. Woodlock assured the President that every member of the National Retail Credit Association would do everything in his power to encourage individuals to either return hoarded money to the banks or invest it in Government bonds, so as to put to work the $1,300,000,000 now idle.

Read His Statement—Opposite Page

NATIONAL RETAIL

Executive Offices

in the Prosperity Crusade

PRESIDENT HOOVER says: "Credit is the blood stream of our economic life. Restriction or destruction of credit cripples the revival and expansion of agriculture, industry, commerce and employment."

The President is right. We have watched consumer credit grow, within a decade, from an unwanted feature in retailing to a universal service—from an unimportant item in our commerce to a volume of twenty-eight billion dollars annually.

It is to safeguard this enormous sum that the National Retail Credit Association set up its organization of 1,200 reporting bureaus or credit clearing houses throughout the country.

It is to make credit a profitable service of the merchant and keep American dollars at work that we have continuously and persistently preached the prompt payment of accounts.

It is to provide trained credit executives that we have spent time and effort and money in bringing to credit managers and store owners the experiences, facts and figures and trends of consumer credit, through organization, both Local, State and National, by means of our monthly publication, *The Credit World,* through class study and regional meetings.

It is to promote the safe and profitable use of credit, which President Hoover says is "the blood stream of our economic life," that our organization is in existence and we feel our twenty years of effort have not been in vain. The nation's economists and financiers admit that consumer credit was the most fundamentally sound of all credit during the strain of the past two years.

Of course we will cooperate with the President in promoting sound credit, whether it be through the release of hoarded money or any other means, because liberal yet sound credit is the objective for which our organization has always stood!

Hoarded money in the sense it is interpreted in the Washington meeting—that is, hoarded cash—is only a small item, even though it runs into a billion dollars, compared to the hoarded money represented by the delinquent accounts receivable of all the retail firms in the country.

Some of this, perhaps a large part, is due to unemployment, etc., and we cannot expect much from that source, but much of it is due to a too liberal policy with persons who can afford to pay promptly—*and don't.* We can help general conditions by a patriotic appeal for the liquidation of these accounts at once.

Our problem is not with hoarded *money,* but with hoarded *credit!*

Secretary of the Treasury Mills says "every hoarded dollar represents ten dollars of credit." What a wonderful opportunity for every credit manager to encourage persons of unquestionable credit reputation to release their hoarded dollars for the purchase of those things they need, with the realization that such procedure will be reflected all down the line and be a contributing factor in our return to prosperous times.

We believe it wise at this time, when the press of the country will carry much propaganda against hoarding, for every local association to develop among its members a campaign for charge accounts and as an auxiliary use all the services of the National Retail Credit Association—its stickers, inserts, etc.,—as a means to promote prompt payments.

President Hoover and Secretary of the Treasury Mills estimate the amount of hoarded money at $1,300,000,000 and we retail credit managers know there is approximately five to seven times this much outstanding in accounts receivable. Therefore it would appear that we credit managers have the opportunity to assist the government in releasing a large amount of money for vitalizing commerce by promoting patriotic cooperation and encouraging the prompt payment of accounts now owing.

The National Retail Credit Association has pledged its support to President Hoover's program. As the program develops timely releases will be sent you.

D J Woodlock.

CREDIT ASSOCIATION

Saint Louis

Telephone Collections "Ring the Bell"

By Wilfrid Redmond

THE telephone ranks high as a depression collection device. So highly are its powers regarded by Ben Klein, Credit Manager of the Frumess Jewelry Co., 605 16th Street, Denver, that he has put an extra phone into service and added a man to his department who does nothing else but sit at the instrument all day twirling the dials of the slow accounts.

This is point No. 1 in a credit program which has kept collection averages up to prosperity normals in this jewelry store.

Always a heavy user of the telephone for collecting, even in the days when people read their mail and were apt to do something about it, Mr. Klein, with the depression sitting on his shoulders like "The Old Man of the Sea" on those of Ulysses, has the old fellow fairly shaken off by, figuratively, throwing the telephone book at him.

"We've changed our telephone technique quite a bit during the past year," says Mr. Klein. "We are dealing today with people who can't make their payments as contracted. It does not occur to them that we might be willing to adjust those payments to individual conditions.

"We welcome these adjustments, but it is not our place, for policy's sake, to suggest them. The customer must take the compromise offer. It is the business of the collector to get him to do so by tactful leading. This, of course, would be a hopeless undertaking by letter. We save dozens of accounts every day by making these adjustments.

"One reason we've abandoned collecting through the mail is that it requires the adoption of a standard policy to every case, and of twelve today no two are alike. In telephone conversation with twelve delinquents we may pursue as many different policies but it can't be done when the conversation is all one-sided—by the letter medium.

"Here is a call I've ordered made right now. It will cost $1.25. But it will mean the payment of a $60 account. Even if I were tongue-tied I wouldn't try a letter on this one. The effort would be a total loss."

Depression Credit Point No. 2: For the past twelve years, in what we now know was a golden age, Mr. Klein, from his desk in the credit department, had never given more than a passing thought to the future of a new account other than to note at just what period in the liquidation Christmas was due. December, January—those were the months, what with new obligations likely to be taken on, the account might falter.

But now! It is the policy of the Frumess Jewelry Company to attempt a reading of conditions eight months ahead. The eighth month in a yearly contract is the crucial one.

In what we, lacking a perspective of future conditions, now refer to as normal times, January and February were tight months, money was circulating in the spring, summer meant vacation expenditures, early fall was spending time again, and the year ended with December a "tight-money" month for old obligations.

A commentary on the volume of installment buying done in December is that, in the Frumess Jewelry Company's own store, six contracts are written a minute during the Christmas holiday season.

The old spending routine is disrupted now. Spring, early fall—seasons of regularity in the past, now defy prediction. Mr. Klein makes his readings for the months ahead from an analysis of conditions as they exist in thousands of homes with which he comes in contact.

"We get a cross-section of the masses here," says Mr. Klein. "Much of our data comes over the telephone. Every day we get an up-to-the-minute picture of the economic scene—what industries are on part time, what employment plans are for the coming months, where wage reductions are threatened.

"A new customer opens an account—we know what his prospects are, what his payments should be. By interviewing our accounts with closer attention than ever before we are able to get a perspective eight months ahead as far as that is possible in this unprecedented period. I doubt if we could operate with a fraction of the efficiency we do now in this respect were we to make our contacts by letter."

The President's Message

FRANK BATTY

President National Retail Credit Association

WE AFFIRM—that the home is the ideal of the social structure, and the prosperity of the nation depends largely upon intelligent consumer credit extension—

That the stability of the nation is based on confidence in its institutions, with peace and prosperity as its ultimate goal ("where there is no vision the people perish")—

That credit, properly administered, is the stabilizing force in every branch of commerce, but its wrongful use results in bankruptcy—nationally and individually, morally and spiritually—

That business must keep pace with the tremendous growth and developments in the field of science, and avail itself of the manifold opportunities presented as the outcome of human initiative and endeavor—

"The home is the ideal of the social structure"

New times demand new measures and new men,
The world advances and in time outgrows
The very thoughts that in our fathers' day were best.

That in tracing the history of retail credit it is shown that its progress and efficacy, based on experience, has been developed through organization and cooperation—

That the ever active forces of destruction which militate against order must be combated by the forces of knowledge, combined with sound policy and practice—

That the tremendous gap between production and consumption, which in the final analysis includes recovery of outstanding balances, and enormous annual credit losses, must be bridged.

The task confronting us is of paramount importance; as workers in the field of retail credit and as part of the economic structure, it devolves upon us to equip ourselves like men.

In a complex age, beset with innumerable problems of lawlessness and extravagance, the need for courage and mental fortitude was never greater.

All reforms come from within; the acid test is not what we will do because of outward circumstances, but what we will do by inward choice.

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New York City Now Has 1,350 Members In the National Association

During the past three months our New York local, the Associated Retail Credit Men of New York City, has taken a commanding lead as the largest local association of retail credit executives in the country.

Building around its outstanding credit bureau, an average of fifty new members are enrolled each month, each a subscriber to the bureau, each a member of the local, *and each a member of the National Association.*

This exceptional development is largely due to the efforts of Mr. A. B. Buckeridge, General Manager of the organization, Mr. Joseph Nutter, Credit Manager of the Plaza Hotel, Chairman of the Membership Committee, and Mr. M. H. Consorty, Credit Manager, Saks 5th Avenue, President of the Association.

About two hundred and fifty members attended the January meeting and enjoyed a very interesting program.

WASHINGTON BULLETIN

R. PRESTON SHEALEY

Washington Counsel, National Retail Credit Association

FOREWORD

WITH most of the emergency measures hurdled and safely passed, Congress is about to tackle one of the hardest legislative nuts yet to crack; balancing the budget. As is generally known, this is to be accomplished in two ways; a new revenue bill and curtailing government expenditures. There are indications, however, that solutions may be reached in a nonpartisan way, and if it is, then a most wonderful thing will have been accomplished.

Whether or not the revenue bill is to be retroactive on 1931 incomes is causing some discussion but in the end an agreement is apt to be reached and the bill enacted from a nonpartisan viewpoint. If at the same time a nonpartisan plan for curtailing federal expenditures can be agreed upon that will be an additional help in these times of stress.

Committee hearings on a number of controversial subjects are being held and some of the subjects being debated contain enough dynamite to cause political explosions. That is why both parties are endeavoring to get emergency legislation out of the way at the earliest possible date.

Legislative

(a) It has been said that the recapture provision of the Transportation Act has been a factor of importance in the present depression because under it railroads in prosperous years have not been able to build up a surplus to draw from in the lean years. Under the Transportation Act, as it was passed in 1920, the railroads were guaranteed a fixed yield on their properties and in return agreed that their earnings above 6 per cent should be "recaptured," as it was termed. The Government, however, has never "recaptured" any of these excess earnings. It is even said that several railroads, now in receivership, have actions pending against them by the Government under this recapture clause. In pending litigation the government has been seeking to "recapture" around $375,000,000 of surplus earnings.

(b) A real battle may be staged when the Farm Board and its operations come up for attention after the emergency measures are out of the way. Farm organizations are taking time by the forelock and a large group of them representing many important farm organizations, have already "resoluted" against proposed legislation repealing the agricultural marketing act and abolishing the Federal Farm Board. Incidentally the present Congress seems to be making a hit with the farmer since in these resolutions Congress has been congratulated as follows: "We commend the nonpartisan and unselfish spirit of the Congress as evidenced by the manner in which it is trying to solve the grave economic problems facing the country."

(c) The House Ways and Means Committee handling the pending revenue bill has had tendered to it a long line of suggestions for special taxes. Some of them are a tariff on crude oil; taxing short sales of securities; Federal gasoline taxes; check and telegram taxes; tax on interstate buses and trucks; automobiles and radios; telephone calls; and other public utilities. It is being made apparent during the course of the hearings that taxes on incomes, inheritances and gifts are to be largely increased, but that additional revenue will have to be raised from other sources.

(d) For some time a movement has been on foot to amend the antitrust laws and this movement has culminated in the introduction in the Senate by Senator Stiewer of Oregon of S. J. Res. 87. This joint resolution applies to production of mineral, forest, and agricultural products and proposes that operations in those industries are to be excluded from the restrictions of the antitrust laws until investigations to be made indicate that such laws should apply. The resolution also proposes the creation of a joint Congressional Committee to be composed of five members of the House of Representatives and five of the Senate "which shall investigate and report to the Congress its findings and recommendations whether amendments should be made to the antitrust laws."

(e) If lack of introduction of amendatory bills would be the test not much is being done in bankruptcy but indications under the surface are otherwise. On January 11, following requests from Omaha and from representatives of the National Retail Credit Association, H. R. 7430, the former Sears bill, barring the necessaries of life from discharges in bankruptcy and shifting the burden of proof under certain circumstances as to debts contracted within four months of bankruptcy, was reintroduced by Representative Baldrige of Omaha.

It is unnecessary to add that it has the strong support of the N. R. C. A. The National Retail Grocers' Association and other national retail organizations are also behind this bill. Organization work among retailers inci-

dent to the bankruptcy campaign has been inaugurated by the Washington office and is successfully proceeding.

Departmental

(a) With the visit to Washington of Manager-Treasurer Woodlock on January 20 and 21, formal steps were taken to assure representation from official Washington of the highest type at the June Convention. It is much too early to announce speakers who will address the Convention, but the groundwork has been laid through the visit of Mr. Woodlock.

(b) Recent reports of the Census of Distribution indicate that retailers in small centers are not losing out to retailers in the larger centers quite as much as was expected. It would appear that the average per capita sale

(Continued in next column.)

President Hoover Invited to Open National Convention

On January 19, David J. Woodlock, Manager-Treasurer of the National Retail Credit Association, accompanied by Steve Talkes, General Manager, Associated Retail Credit Men of Washington, and R. Preston Shealey, Washington Counsel of the National Retail Credit Association, visited the White House and invited President Hoover to open the Twentieth Annual Convention of the National Retail Credit Association, to be held in Washington June 21-22-23-24.

They are here seen leaving the Executive Offices. Reading from left to right, Mr. Shealey, Mr. Woodlock, Mr. Talkes.

in the small cities and rural areas approximates only two-thirds of that for the average for the entire country and not much better than a third for the larger cities, but against these figures is the volume of assembling business of the small town retailer not performed by the large city retailer. Indications are that this business, which is largely in first step marketing of agricultural products to large centers, may reach as much as $450,000,000 annually.

Court Decisions

(a) The United States Circuit Court of Appeals for the Ninth Circuit has reaffirmed the principle that a deduction from income tax by reason of a bad debt must be as of the year in which the debt was ascertained by the taxpayer to be worthless. In this connection the court said, "In order for the taxpayer to secure a deduction of a worthless debt he must charge it off his books during the year in which he ascertains it to be worthless. Unless the ascertainment of worthlessness and the charging off of the debt occur in the same taxable year he is not entitled to the deduction. American Sav. Bk. & Tr. Co. v. Burnet, 45 F. (2d) 548."

(b) A stumblingblock to bankrupts not intending to deal fairly with their creditors has been raised by the decision of the United States Circuit Court of Appeals for the Tenth Circuit, December 21, 1931, in Czarlinsky v. U. S. The defendant was being prosecuted in a criminal case and when he was confronted with the schedule which he had filed in prior bankruptcy proceedings he objected to the admission of the schedules on the ground that they would tend to incriminate him and, therefore, in violation of the fifth Constitutional amendment. The Circuit Court of Appeals in its opinion took the position that he should have invoked his Constitutional immunity right at the time he filed his schedules and that not having done so he had waived the right and could not invoke it at the introduction of the schedules in the criminal proceedings.

Bankruptcy Amendment Introduced

Representative Baldridge of Nebraska introduced the following bill, amending the Bankruptcy Act, on January 11, and we are underlining the part which is very important to retail credit granters:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 17 of the Act entitled 'An Act to establish a universal system of bankruptcy throughout the United States,' approved July 1, 1898, and Acts amendatory thereof and supplementary thereto, as last amended by the Act of July 1, 1922, be, and the same is hereby, amended to read as follows:

" 'A discharge in bankruptcy shall release a bankrupt from all of his provable debts, except such as

" '(1) are due as a tax levied by the United States, the state, county, district, or municipality in which he resides;

" '(2) are liabilities for obtaining property by false pretenses or false representations or for willful and malicious injuries to the person or property of another, or for alimony due or to become due, or for maintenance or support of wife or child, or for seduction of an unmarried female, or for criminal conversation;

" '(3) have not been duly scheduled in time for proof and allowance, with the name of the creditor, if known to be bankrupt, unless such creditor had notice or actual knowledge of the proceedings in bankruptcy; or

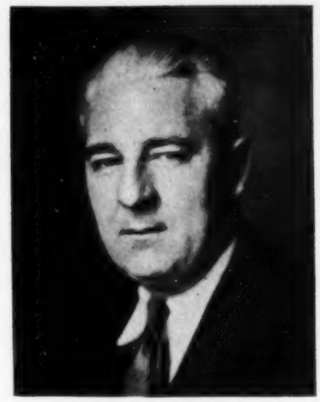
" '(4) were created by his fraud, embezzlement, misappropriation, or defalcation while acting as an officer or in any fiduciary capacity; or

" '(5) are for wages due to workmen, clerks, traveling or city salesmen, or servants, which have been earned within three months before the date of commencement of the proceedings in bankruptcy; or

" '(6) are due for moneys of an employee received or retained by his employer to secure the faithful performance by such employee of the terms of a contract of employment; or

" '(7) *are for necessaries of life furnished him or his family for which he is indebted; PROVIDED, That all debts contracted for within the period of four months prior to the filing of a petition in bankruptcy shall be construed to have been contracted for with intent to defraud unless otherwise proved by the bankrupt.*' "

We Help Our Debtors to Pay Their Bills



By E. G. GRAVES

Secretary-Manager, Retail Merchants Association, Fort Worth, Texas

WHILE it is true that the fundamental object of a credit-reporting bureau is primarily for the purpose of acquiring and disseminating valuable credit information, still the bureau manager should not confine his efforts or the activities of his bureau to those limits.

If he can assist the members of his association in the collection of their accounts receivable, he has taken another step forward in solidifying the relationship of his members with their bureau. And where is there a more logical medium of collecting slow accounts than through a modern reporting bureau?

The overhead expense is partially established, the necessary equipment at hand, and facilities to assist in this work are more easily accessible and at a lower cost than in any independent organization.

With this thought in mind, the merchants of Fort Worth organized a loan department, to be run in conjunction with the association, under the supervision of its manager. The loan department began operations September 1, 1926, with a paid-in capital of $10,000, incorporated under the state laws of Texas.

Its success has far exceeded their fondest expectations and the fact that the capitalization has been increased from $10,000 to $75,000 in five years is a tribute to its success and the cause it serves.

No business enterprise can be profitable or long lived unless it furnishes a service of value for which a demand exists or can be created. Just how well we have served the merchants and their customers is emphasized by the fact that we have loaned over $600,000 to 3,800 worthy individuals for the purpose of paying delinquent accounts. This volume has been accomplished without advertising and our only medium of publicity has been through the credit man and satisfied users of our service.

The average wage earner is prone to buy today, hoping to be able to pay tomorrow. Due to obvious reasons, the major one of which is inability properly to budget the monthly income, it is an easy matter for the average individual to become involved and unable to pay the obligations that he made in good faith.

He then needs financing of the same kind, except on a smaller scale, as that required for a large corporation or any business enterprise. His creditors are entitled to payment, but he must have financial assistance in order to liquidate his accounts. Unfortunately, the present financial service available for the purpose is usually so expensive and unsatisfactory in other respects, that he is inclined to make but little determined effort to improve his situation. We give him the constructive service he should have without charging an exorbitant or prohibitive rate of interest for the service. It solves the great problem of how to collect frozen assets in the form of delinquent accounts and at the same time retains the good will of the debtor without expense to the creditor.

When a debtor is unable to meet promptly his obligations to all his creditors, he is informed by the local credit association or representatives of his creditors, that the funding service of the loan department is available to him, if he can meet its requirements.

Upon his application for a loan, a statement of his income—fixed and current—and other pertinent information necessary to properly support his application, is required, particular attention being given to:

1. Budget, to see if it is consistent with his income.
2. The listing of all delinquent accounts. This is obligatory.
3. Number of dependents.
4. Permanency of position.
5. Income sufficient to repay loan.

After the application is taken, the total amount of his indebtedness is figured up and a carrying charge of 10 per cent is added to the amount. A note is then made out for the amount owed, plus the carrying charge.

The note is made payable in twelve months' time in either weekly, semi-monthly or monthly installments of an equal amount, to coincide with the manner in which he receives his remuneration. If he chooses to so do, he can obtain the signatures of two disinterested parties as sureties, but this is not obligatory.

The application is then referred to our reporting department to be checked as to its accuracy in the listing of indebtedness. If we find that all accounts have not been included we insist upon their being included, unless there is a legitimate reason for disputing the account.

A secret committee of three credit men passes on the application. The committee is kept secret in order to (a) eliminate a prejudiced feeling against them or their firms in the event the application is rejected; (b) to relieve the bureau of unjust criticism, as the secret committee has full authority to accept or reject.

If the loan is rejected, we give the applicant the privilege of canceling his application, or the alternative of permitting the bureau to handle it as a pooled proposition, prorating the money to creditors as the applicant pays it to the bureau. In either event the bureau has obtained some valuable information on the applicant through the extensive application which they would possibly not have otherwise obtained.

In the event the application is accepted we ask each creditor to sign the note for limited liability, covering the amount of his account. This is obligatory.

We then send the creditor our check direct from our office in exchange for his signature for limited liability—a very profitable transaction for him—as he exchanges his delinquent account for cash without cost to him.

If any creditor, listed in the application, does not show sufficient financial strength to justify the committee in accepting his signature, his account is prorated to him as the debtor pays his note. All other creditors receive their checks immediately.

The committee requires a financial statement from all merchants participating in this service, one every three months, and this financial statement is checked for its accuracy through their depository and other logical sources. We do not limit this service to members only.

Any merchant or professional man good for his signature will be accepted and, through this courtesy, the association gains many members which it might otherwise not obtain, as the creditor invariably shows his appreciation for the service by joining the association if he is not already a member.

The success of this plan depends upon our success in collecting the notes, for, unless the notes are collected, we are obliged to call upon the merchants who indorsed the note for their prorata of the unpaid balance.

However, this contingent liability is reduced to a very small percentage because of the fact that the debtor will recognize a note sooner than he will an open account and he is ever conscious of the stigma on his credit record in the event the note is recalled. Then, too, it is much easier to pay one creditor one amount each week or month than it is to try to pay six or seven creditors a little out of his check each pay day.

During the five years we have been operating and loaning a volume of over $600,000 we have only recalled from the creditors indorsing the notes about 4 per cent of the total loans made. This means that they have retained 96 per cent of all notes they indorsed without any collection expense to them.

Then, too, they get the use of their money for a year, which they would not otherwise receive, saving them the interest they would lose by carrying accounts receivable

Advanced Credit Course Started!

The Advanced Educational Course, which our Educational Committee has been working on for almost a year, is ready!

Three classes are already in progress.

It is recommended that this course be used by students who have satisfactorily completed our regular Educational Course.

The course uses as a text the new book, *Credit Department Salesmanship,* written by Bartlett and Reed (co-authors of *Retail Credit Practice,* one of the texts used in our regular course). The syllabus covers twelve lectures. Subjects included are:

- "The Credit Man—Super Salesman"
- "Credit Salesmanship Fundamentals"
- "Salesmanship in Credit Interviews"
- "Office Conferences—Adjustments"
- "Selling the New Credit Policy"
- "Collection Salesmanship—1. Contact"; "Collection Salesmanship—2. Letters"
- "Efficient Credit Service Builds Sales"
- "Cooperation Between Credit and Sales Departments"
- "The Methods of New Account Promotion"
- "The Modern Science of Customer Control"
- "Installment Sales Promotion"

Business is looking more and more to the Credit Department to develop a real sales organization. The fundamentals of credit salesmanship are thoroughly covered in this course as is the psychology of collections.

As in the previous course, all students making a satisfactory grade in the final examination will be awarded a diploma.

Let's get busy! Organize your Advanced Class now. Write today for complete information.

Educational Department
National Retail Credit Association

Executive Offices, St. Louis, Missouri

beyond the profit vanishing point. They have also gained the appreciation of the debtor by their willingness to help him and the debtor will, no doubt, continue to pay cash for his purchases in this store if the merchants do not again choose to sell on a credit basis.

It is simply a business proposition, presented in a business-like manner, for the benefit of the persons it serves—the debtor and the creditor.

If, due to unforeseen adversities and financial limitations, the debtor is unable to pay off the entire note in twelve months' time, the designated time, but has reduced the note and extended his best efforts to pay, we refinance the unpaid balance for another twelve months, adding another 10 per cent charge for the additional time.

This reduces our ratio of recalled loans and gives the merchants additional protection. But we always give the debtor every opportunity to pay out his note, thereby salvaging his credit record and making a better citizen out of him.

The public reaction is, therefore, always friendly toward the bureau, for they cannot but realize that we are their friend, rendering them a service and trying to assist them out of a temporary embarrassment in which their financial extremities have placed them.

By eliminating the necessity for the applicant's obtaining the signatures of two or more disinterested parties on his note, we find that many executives getting between $5,000 and $10,000 a year avail themselves of this service, while they would not for a minute consider the humiliation of asking their friends to sign their notes.

By placing the liability on those who directly benefit—the creditors—it simplifies the matter and collects many accounts which would otherwise remain on the books of the merchants for many months.

We attribute our volume of business directly to this cause, as it pleases the borrower to know that he is placed on his own honor without embarrassment to his friends. If we were to insist upon co-makers on the note, our volume would be cut to at least 50 per cent.

We find that this is a fourfold service to those it benefits—the merchants, the debtor, the investor and the bureau.

The merchant benefits by getting a turnover on his accounts receivable, without expense to him and possibly eliminating a profit-and-loss account.

The debtor benefits by the centralization of his indebtedness on a systematic budget basis with a sufficient length of time to liquidate, thereby securing relief from the burden of his debts.

The investor in the loan company receives a profit of about 14 per cent per annum on his investment. We have only lost $50 on a volume of $600,000 in five years—a loss too insignificant to figure.

Finally, the bureau operating the loan company receives the good will and favorable publicity of the merchants and the public it serves, as well as a profit for its service.

Houston Association Holds Annual Meeting

On January 18, the Houston (Texas) Retail Credit Men's Association elected the following officers for the year 1932:

President, Jack Levitt, Alaskan Fur Co.; First Vice-President, Marley Styner, John L. Wortham & Son; Second Vice-President, Mike Weinstein, Foley Bros. Dry Goods Co.; Treasurer, Henry C. Horne, Union National Bank; Secretary, C. W. Hurley, Retail Credit Exchange; Assistant Secretary, J. Collier Hurley, Retail Credit Exchange.

Jack Levitt

In addition, six directors were elected: O. C. Faulkner, Dover's, Inc.; L. M. Jahn, Sakowitz Bros.; Mrs. Josephine Burger, Houston Clinic; Mrs. Dorothea Swender, Corrigan's; H. E. Terrell, Rolle, Jewett & Beck; and T. A. Willbern, Dollahite-Levy Co.

Retiring President Faulkner reported on activities of last year. Two joint meetings with the Wholesale Credit Men were held. Also Frank C. Caldwell, National Field Secretary was the speaker at one meeting.

Mr. L. M. Jahn, Credit Manager of Sakowitz Bros., was endorsed for election as a National Director.

CHARLES E. FRIDAY

We regret to announce the passing of Charles E. Friday, Credit Manager of Garlands, St. Louis, a charter member and director of the Associated Retail Credit Men of St. Louis, a leader in both the local and the national associations. His funeral was held in Fennville, Michigan, February 15.

Another Credit Man Turns Banker!

Edgar A. Sowar, for almost 18 years credit and office manager of Welsh & Levy's, yesterday afternoon was named active vice-president of the Louisiana National Bank and the Louisiana Trust & Savings Bank.

The election of Mr. Sowar to the board of directors of the Louisiana National Bank is a high tribute to his business ability, as it is unusual to select persons outside banking circles for this position. Mr. Sowar is just 36 years old and has been in Baton Rouge for the past 18 years, having been associated with Welsh & Levy's during the entire time.

The young executive came to Baton Rouge from Norwood in 1913 as a freshman at Louisiana state university where he took a business course. Welsh & Levy's men's store wanted a man to work in the office for thirty days. Mr. Sowar applied for the job and got it. The position has lasted eighteen years.

While in school Mr. Sowar took part in many extra-curricular activities and was president of his class in his senior year. It was in April, 1917, that he left the university, with many of his fellows, to go to training camps. He was accorded his degree while there.

He returned to Baton Rouge in 1919, and resumed his position at Welsh & Levy's, where he has remained until now. Since his return from the army, Mr. Sowar has held the position of credit and office manager of Welsh & Levy's. He holds a first lieutenant's commission in the coast artillery reserve corps.—*Baton Rouge (La.) "Morning Advocate."*

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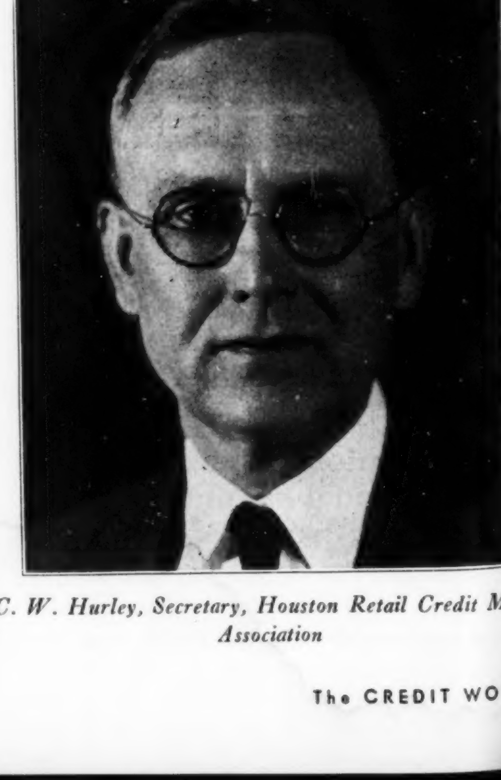


C. W. Hurley, Secretary, Houston Retail Credit Men's Association

Meeting Present-Day Competition Through Intelligent Credit Control

By C. O. STILES
Field Secretary, National Retail Credit Association

THE annals of business history constantly parade before us the changes in the methods of mercantile trading and their effect upon business. They tell the story of small beginnings resulting in marvelous successes, only to be thrust into oblivion by still another change, and we see the downfall of the only recent business and merchant prince of yesterday.

All because so few can foresee, and still fewer recognize these changes when they confront us. It is so hard in our mature years to change from the methods of our youthful years to those of the youth of today. So hard to grow old progressively.

Today we see the development of "big business," as it is called, by the use of credit extension, confidence in our fellow-men based upon knowledge of previous experience and present ability to maintain that confidence.

Credit had its origin in the days of barter among the ancients, being used for the purpose of convenience in the transaction of business. Today we still see it used as a convenience but also used as a builder of big business, in the development of large retail establishments and manufacturing plants that furnish employment to labor in large numbers, and in turn furnishing the laborer the comforts of life while he pays for them.

And the extension and control of this consumer credit has become a profession. Like all professions, the extension of credit has gone through the experimental stages, established the facts that eliminate the guess of experiment in sound business practice, and has now become one of and probably the most vital function of business development. The age of promiscuous credit of our forefathers has almost passed, leaving in its wake much monetary loss and a wealth of sorrowful experiences.

The other extreme, the cash epidemic, has left many similar memories and promises more. And we are now in the age of intelligent credit control when the marchant and banker and their assistants are seeking more knowledge of credit control, reading all available publications on the subject and meeting in study classes that they may know more of this profession.

It is because they realize they are facing three types of competition that are being developed and becoming more successful by liberal but intelligent extension of credit. They know that the cash epidemic is no longer the menace to them it was supposed to be because it is not in line with the desires of the American people. We are not given to carrying a basket and paying as we go.

Millions spent in advertising by the cash stores have changed but few of us to the habit of cash and carry. The credit privilege flatters us and appeals to our pride in being considered honest. And big business is capitalizing on this vanity but coupling with it a control that is based upon knowledge of previous paying habits and present ability to pay, by the use of the twelve hundred credit bureaus affiliated with the National Retail Credit Association.

Merchants in large and small towns have still to meet and suffer from the inroads being made upon their good credit trade by the educated credit merchant, or his credit manager, in the near-by larger city. And every mile of paved road and every high-powered car brings this competition that much nearer. People are no longer forced to trade with any merchant but do their shopping where they receive the courtesies they appreciate, particularly that of credit, and ofttimes at a considerable distance and on a credit basis.

The only ones who are forced to trade at home are those who have neither credit standing nor the cash with which to pay, and must depend upon what they can pilfer from the merchants by promises that cannot be kept and credit granted upon a basis of friendship, lodge and church connections or years of acquaintanceship. The educated credit merchant seeks and gets the patronage of the good ones and leaves the unprofitable ones for the "old timer" at home who still thinks he "knows them."

The aggressiveness of the large mail-order houses who have now become chain stores is making further inroads upon the good credit business of every community by bringing their modern stores to the door of the buyer and on a credit basis. These concerns have their credit departments in charge of the best credit talent of the country.

Their store managers have planned for them very definite methods of extending and controlling credit, by educated credit managers, and they are instructed by their superiors that they must adhere to these methods. These merchant monarchs know the value of a good credit customer, how to seek and retain his business, and what they must do to know who are the deserving ones and who to leave for the "guessing" merchant to carry.

Lack of the use of credit extension to build and maintain the volume of business the manufacturer of a highly

advertised line knows he should have, and such excuses as "collections are bad" when their bill becomes due, have caused many manufacturers to take their lines away from the local merchant and open their own stores, with credit departments managed by men selected for their ability in and knowledge of credit extension and control.

These manufacturers make use of the reports of retail credit and other surveys and know what is possible both in volume of business and curtailment of loss by organization and a free interchange of credit experiences through a credit bureau.

This form of competition is most prevalent in wearing apparel and automobile tires but its success will influence others to make similar changes. Andy's so-called "re-

(Continued in next column.)

pression" has retarded its development some but this will be reflected in greater activity as business becomes normal.

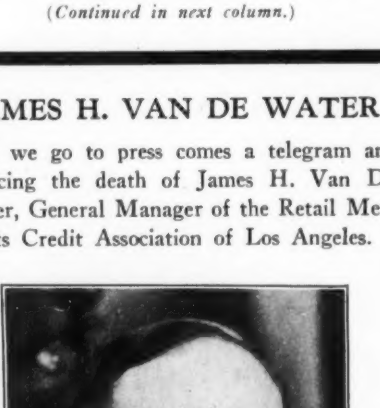
And these three types of competition are thriving through the advancement of intelligent credit control as their owners and credit managers become more efficient in the profession. And to meet it and avoid elimination from the field of independent business, the merchant has to do more than build attractive store fronts, install elaborate fixtures, trim his windows and advertise.

He must clean house in his credit department, whether that department is handled by a credit manager or is simply one of the many duties of the merchant himself. He must remove from his business lax credit practices if he expects to attract the good credit buying people of his community to his store.

He must have a definite credit policy, discontinue competition in terms of payment, establish a free interchange of credit experiences through a credit bureau and then use and apply the information to be had. He must study credit control and in no way can he do this better than through the medium of a membership in the National Retail Credit Association which will bring to his desk everything that is available in the form of credit education.

JAMES H. VAN DE WATER

As we go to press comes a telegram announcing the death of James H. Van De Water, General Manager of the Retail Merchants Credit Association of Los Angeles.



This is a shock to the entire credit fraternity who knew "Van" as one of the outstanding leaders of the National Retail Credit Association, a man whom we recognized as building in Los Angeles possibly the best retail credit association in the country, a man who for fifteen years has been a leader in the activities of our Association, a man whom we all loved for his intelligence, and his humanness, his outspoken honesty and his desire to build for the future.

We mourn his loss. His passing takes away a faithful husband, a loving father, and a sincere friend.

D. J. Woodlock.

Positions Wanted

Credit Manager, twenty-five years accounting and office management, ten years credit management, desires connection as Credit Manager or assistant, with larger concern, in larger city. Now employed, but available in reasonable period. Address Box 21, *Credit World*.

» » »

Lady Office Manager, credits and collections, age 37. Seventeen years in one office. All inquirers will be furnished complete details and best of references. Will go anywhere. Address Box 22, *Credit World*.

» » »

Credit, Collection Manager, thoroughly experienced every detail installment business and office management, seeks permanent connection. Best possible references. Seven years actual experience; will live anywhere. Address Box 23, *Credit World*.

» » »

Successful Credit and Collection Manager, with accounting experience, is available for a position with a live credit organization. Has the best of references. Thirty years of age. If interested, address Box 24, *Credit World*.

» » »

Credit and Collection Manager. Man 40 years old, married. Past three years Credit Manager largest furniture store northern New York, doing annual charge business over $500,000, about half installment. Store recently merged. Previous five years Credit Manager chain store doing annual business over $1,000,000. All inquirers will be furnished complete details and best of reference. Address Box 25, *Credit World*.

George Is Willing to Do It—

By BURR BLACKBURN

Director of Research, Household Finance Corporation, Chicago

THE young man rapped his knuckles against the back door, and when it opened a crack, called: "Hartman's—how about something on that washing machine, Mr. Oliver?"

"Can't pay nuttin' right now, I'm short of money. Come around next week."

"But Oliver, you are nearly two months behind, so far. I've had to come out here after every payment. Don't you realize it's costing us money to have to do this?"

There was a mumbled reply and the collector snapped shut his book and descended the stairs. Leaving the corridor he came face to face with McCarthy, representative of the personal finance company. "I wish you'd show me how to handle a tough collection job I've got, McCarthy," he said.

"Old man Oliver up here is sixty days behind on his washer payments. I've got orders to get some money or pull the machine. If I pull it, it's bye-bye to a sale, and we've got some junk back on our hands to resell."

"I know Oliver," replied McCarthy. "While I don't have any authority, let me talk to him, and maybe I can show you a way out." And climbing the stairs, he proceeded to rap on the door.

"You home, Oliver?" exclaimed McCarthy. "I'd think you'd stay down at the works rather than watch a bunch of bill collectors climb your stairs. Why don't you hop in that old car of yours and go for a ride?"

"If I had some money I'd fix up that car," replied Oliver. "You think I'm hanging around home because I like it? Say, I'm only working four days a week."

"Still, your Timmy has a job at the filling station, and the girl is with the Wilson Avenue Lunch. Things can't be so awful bad for you with three people in the family drawing pay."

"I can't catch up. It's a dollar here and a dollar there until I'm broke all the time."

McCarthy scratched his chin. "Oliver, how would you like to have some money so you can get your car fixed, and clean up what you owe on the radio and washer, all at one time? See the last of these bum collectors?"

"Swell," replied Oliver. "How can I do it?"

"Come down and talk to our manager," replied McCarthy, handing him a card. And turning, he walked out with the bill collector, who wondered how a personal finance company could take a chance with Oliver, when Hartman's didn't feel safe with even a washer as collateral.

During the last fifteen years it has become rather widely appreciated that 85 per cent of the population has no borrowing facilities. To satisfy the need for ready cash, the Russell Sage Foundation formulated in 1916 the Uniform Small Loan Act and the personal finance companies thus authorized are today the fastest growing types of loan organization, yet so new that their services to merchants are not fully appreciated.

It was understood that personal loans could never be made at the usual 6 per cent bank rate. This is a wholesale price for money. Legal rates must be modified, hence the necessity for a basic law which takes into consideration the higher costs of investigation and collection, if small retail loans to individuals were to be made.

The law permits the personal finance company to lend amounts up to $300, with repayments of principal and interest due monthly. Loans are chiefly made to families, husband and wife both signing the papers, and pledging household goods as security.

Interest of 3½ per cent a month (or less) can be charged on unpaid balances.

This is the same rate as paid on most installment purchases. The only difference is that the sale is of money, and not merchandise, and the security is seldom of resale value, hence is never repossessed, except where fraud is attempted, or the family is breaking up or moving and refuses to keep it.

Merchants who marvel at how the personal finance company dares to offer money where they themselves would refuse credit, fail to note the clever understanding of human nature that is the real protection behind these individual loans.

When it comes to borrowing money, Mr. Average Man will reveal his financial secrets as he would not dream of doing in purchasing merchandise. Through some queer quirk of psychology, he is meekness itself in a money transaction and willing to give any sort of information. This trait enables the personal finance company to obtain results that a merchant could not possibly obtain.

When Oliver and his wife called on the personal finance company they never dreamed they were simply paying for merchandise. It was a new deal. First they sat down with the manager for a talk. He inquired about the income of each member of the family, the debts, and the scale of living. It did not take long for him to see that their plight was due to bad management.

A loan sufficient to clean up the balance of the merchandise and repair the car could easily be paid back in twenty months by the Olivers, without hurting them.

Common sense management was all that was needed, and the personal finance company was used for supplying this commodity.

In filling out the papers, the personal finance manager was careful to ask Oliver what date was best suited for payments. The date the rent fell due was taken into consideration. This was deemed important, as there is a growing custom among corporations of splitting of payrolls over the month.

The personal finance company wanted to know the date on which the family had the most money, realizing that first come is first served in the payments of debts.

This is what happened in the transaction:

1. Husband and wife both signed a chattel mortgage pledging their household furniture. This was done following a home investigation, the personal finance company realizing that the average family considers its furniture very precious, and is impressed when a man calls and lists each piece for the mortgage.
2. The date of the pay days was ascertained.
3. The family set a date on which payments would be most convenient, and agreed to pay exactly on that date.
4. The family was handed a book in which payments on the loan were to be recorded, and impressed with the necessity of calling and making their payments exactly on the due date.

Following this, checks were mailed direct to the merchants who sold the Olivers their merchandise, and another to the garage. The personal finance company thus liquidated these debts and prepared to collect it from the Olivers. The Olivers, in turn, unwittingly paid a premium for their neglect.

A Pennsylvania appliance house, caught in the recent depression, turned its past due accounts over to a collection agency that promised to "get results or else."

"I've tried everything," sighed the proprietor. "Now you fellows do your stuff."

The head of the collection agency was an ex-policeman. Battering at the door with his hamlike fist, he contrived, when the owner opened it a crack, to drop a blackjack from his pocket. The family head caught a glimpse of him "accidentally" picking it up, as if prepared to beat up the whole household. If not admitted, this collector bawled out the debtor's status to the entire neighborhood from the porch.

Sometimes it worked, sometimes it didn't. The merchant failed to realize the effects until his house-to-house men ran into these neighborhoods. As if by magic, the mention of the name caused people to freeze up. They blamed the merchant, not the collector, for his rough work.

One of the points of effectiveness in transferring a debt to a personal finance company is the sponging off from the customer's memory the name of the merchant. Thereafter, the customer always holds the personal finance company responsible for what happens.

The delinquent debtor, generally abused as being vicious and ornery, simmers down to a much milder ani-

(*Continued on page* 32.)

Bentley School Has Rapid Growth

The era of big business of the last twenty-five years has firmly established the accounting profession in a position of dignity and stability. In fact, to install and supervise the methods of keeping track of the affairs of our great corporations requires the services of men who must be highly skilled and highly paid.

In incorporations, reorganizations, flotations of stocks and bonds, mergers, consolidations, and numerous other phases of business and finance, the accountant's services are essential.

H. C. Bentley
President, Bentley School of Accounting & Finance

In partial realization of this rapid development, many colleges are giving courses in accounting combined with other subjects, but the Bentley School of Accounting and Finance of Boston was a pioneer in sensing that the field of accounting was so broad that a man who would make a real success in it must give his full time and effort to specialized preparation, just as he would have to do in the field of law, medicine, or engineering. The results of the past fifteen years have fully justified the vision of the founder and president of the school, Mr. Harry C. Bentley.

The school began in 1917 with twenty-nine local students and grew, slowly at first, but with increasing momentum as its graduates began demonstrating the superior grade of work which men who had specialized exclusively could do.

In 1930-1931 the total enrollment of the school in both day and evening divisions was twenty-seven hundred and eleven, with men coming from as far as Texas, California, and South America. besides most of the states east of the Mississippi River.

Men only are admitted to the Bentley School and they must be graduates of high schools or other schools of equal grade.

There are no subjects taught other than those which directly apply to the accountant's training. The school gives more classroom hours of instruction in accounting in its two-year course than are given by any other school or college in the country.

Among other distinctive features of the school are the provisions that there is no forfeiture of prepaid tuition, if a man is obliged to withdraw, regardless of the reason; and that anyone who has paid his tuition for a year and fails to make a passing grade may repeat the year without additional charge.

Many of the largest and best known business and financial concerns in the country have for years taken additional groups of Bentley men from successive graduating classes; and during the depression of the last two years when reductions in personnel have had to be made, the Bentley trained men have to a noticeable degree been retained.

George Is Willing to Do It—

(*Continued from page* 30.)

mal when analyzed, personal finance companies have discovered. There are three general types encountered:

1. Foremost in number is the negligent, or nonunderstanding debtor. The country is full of child-minded people who forget their obligations and never fully understand what they are supposed to do. They are courteous, apologetic, and fork over the money when called upon—if they haven't spent it for something else.

2. Another type is the debtor who is unfortunate. He is held up by loss of job, family misfortune, or in about one case in twenty, by illness. This group holds a goodly number of prompt payers, and harshness has generally proved the poorest of collection policies.

3. The smallest group contains the deadbeat, and the "don't-give-a-darn" type. It contains the cat-and-dog family. It includes the no-goods who have blazed a trail of worthlessness all over town.

The representative from the personal finance house, after ordinary notices have failed, calls on the debtor in friendly fashion, and suggests that he go to the office and talk over the matter with the manager. In listening to the delinquent's story, the manager gets a chance to classify him as mentally childish, unfortunate, or naturally a deadbeat.

With the childish, the manager reexplains the proposition, and the importance of paying each month.

With the unfortunate, the manager aids in getting a job. Misfortune has a tendency to paralyze many people much as a snake paralyzes a sparrow. They lose all power to think.

"Out of a job," remarked one manager in St. Louis. "Have you tried Famous & Barr? Yes? Scruggs-Vandervoort? Yes? The street car company? Where did you go—to the employment window? Never do that. Let me give you a tip. The way to get a job with a firm is to get acquainted with the men working for them. They know of new work, long before the employment window does."

Simple suggestions help. Running over the names of people who might be of aid is a great freshener and stimulant to the stunned unfortunate. Besides, he feels that the company is helping, and not hounding him. Often, the first money he gets goes to pay on the loan.

The deadbeat alone feels the pressure. Sometimes even he can be reasoned with. "Bill," said one manager, "you couldn't have borrowed a cent in this town when we took a chance on you. Now you're throwing us down. Suppose you get sick one of these days. Where are you going to go then? Furthermore, if you ever work again, your creditors will be after you, ready to scoop up all your money. Don't you think you ought to pay a little something and keep good your credit?"

Always, the manager proceeds along these rules:

1. Get a small payment right away, if the full amount is impossible. Keep the debtor in the habit of paying.

2. Extend the terms for the balance over a longer period, if necessary. The fact that loans are spread over twenty months, instead of six to ten months like most merchandise, is a point in favor of payments, as the amounts are smaller.

3. Go over the family budget of income and outgo and see, if possible, where the money is going.

4. Show the debtor how to get a new job, raise money from friends, or aid him in obtaining hospital care. This makes friends.

5. Call on relatives and acquaintances and point out the debtor's plight. Often a third party can secure help when the debtor would be out of luck.

The personal finance company has proved it can make collections where most merchants would fail. Accordingly, an increasingly large number of firms are employing its specialized services for quick liquidation of debts, sending past due customers to the finance offices.

As for the companies, they have been able to turn a profit in these transactions. And the customers pay the cost of the credit extended—the only fair and equitable method.

"The proposition of lending money with human nature as collateral has proved successful," one official said. "People mean well. Very few are bad at heart. If they were, as George Bernard Shaw said, they would cheer the villain at the theater instead of the hero. They want to see the right thing done. By helping them think, we succeed in doing it."

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What This Country Needs

Without wishing to appear overly sagacious in offering an important contribution to economic lore anent present conditions we solemnly maintain that what this country needs today is more of those good old-fashioned people who pay their bills on the 10th.—*Texas Contractor.*